

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 087

June 24, 1958

ALLOCATION: TRAMP STEAMSHIPS

Syllabus:

Tramp steamship operations are entitled to allocation.

Taxpayer, a California corporation, operates a number of tramp steamers, under either bareboat charter or direct ownership. Its only office is in this State. Its activities are principally with the transportation of cargoes between ports outside this State although a few calls are made at California ports. There are no definite schedules and solicitation and negotiation are handled by independent steamship agencies. Taxpayer's only employees outside California are the ships' crews; and its only outside assets are the ships. Advice is requested whether taxpayer is entitled to allocation of its tramp steamer operation.

Section 25101 provides that income attributable to "isolated or occasional" transactions in other states or countries in which taxpayer is not "doing business" shall be allocated to the principal place of business or commercial domicile of the taxpayer. It appears that the activities of the taxpayer do not properly fall within the language which refers to isolated or occasional transactions. To come within this statutory provision, it is not only necessary to show that the activity in a particular state or country is "isolated or occasional", but it must also be shown that such transactions do not constitute "doing business". The tramp steamer activities of taxpayer could well be said to constitute "doing business" in the various ports of call, as the term is defined in Section 23101. The term means "actively engaging in any transaction for the purpose of financial or pecuniary gain or profit", and this definition has been said to be applicable to even a single transaction. (Golden State Theatre and Realty Corporation v Johnson, 21 Cal. 2d 493). Loading and discharging of cargoes would seem clearly to come within this definition. Therefore, taxpayer is entitled to allocation of his tramp steamship operations.